	Rs.
Fixed assets	7,20,00,000
Tariffs and Dividend control reserve	4,00,000
Preliminary expenses	1,60,000
Monthly average of current assets including amount due from customers 10,00,000	30,40,000
Customer's contribution to assets	50,000
Security deposits of customers	2,00,000
Depreciation Reserve	10,00,000

Show the disposal of the profits.

Reg. No. : ....

Code No. : 8783 **Sub. Code : HKCM 31/ HKAM 31**

M.Com./M.Com. WITH COMPUTER APPLICATION (CBCS) DEGREE EXAMINATION, NOVEMBER 2014.

Third Semester

ADVANCED CORPORATE ACCOUNTING

(For those who joined in July 2012 onwards)

Time : Three hours Maximum : 75 marks

SECTION A — (10 × 1 = 10 marks)

Answer ALL the questions.

Choose the correct answer :

1. Goodwill shown in company's balance sheet under the head

   (a) Fixed asset

   (b) Investments

   (c) Miscellaneous Expenditure

   (d) Current asset

2. Pooling of interests method is used to account for amalgamations in the nature of

(a) Purchase (b) Sale

(c) Merger (d) None of the above

3. A holding company is one which holds more than

(a) 2/3rd share capital of subsidiary company

(b) 50% share capital of subsidiary company

(c) 75% share capital of Government company

(d) None of the above

4. Unrealized profit included in stock is

(a) Deducted from stock in combined BS

(b) Deducted from P & L A/c balance in combined BS liabilities sides

(c) Deducted from stock and P & L a/c balance in combined BS

(d) Shown separately in assets side of combined BS

5. Provision for income tax is shown in the Bank accounts under the head

(a) Borrowings (b) Other liabilities

(c) Operating expenses (d) Contingent liabilities

6. Banking companies are governed by the ______________ Act.

(a) Banking regulation (b) Bank monitoring

(c) Companies (d) None of the above

7. Claim paid by life insurance companies shown in

(a) Schedule 1 (b) Schedule 2

(c) Schedule 3 (d) Schedule 4

8. The percentage of profit of like business to be distributed to policy holders is

(a) 95% (b) 100%

(c) 50% (d) 40%

9. Under double account system, depreciation is

(a) Debited to Revenue A/c

(b) Debited to Net Revenue A/c

(c) Credited to asset A/c

(d) Credited to depreciation A/c

10. What is the name of the account showing profit or loss under double account system?

(a) Income and Expenditure A/c

(b) Income statement

(c) Revenue A/c

(d) Net Revenue A/c

SECTION B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b), each answer should not exceed 250 words.

11. (a) Explain the sources of goodwill.

Or

(b) What are the various reasons for valuation of goodwill?

12. (a) What are the requirements to be fulfilled for a company becomes a holding company?

Or

(b) P Ltd. Acquired 65% shares of Q Ltd. 1.10.02 P & L a/c in the books of Q Ltd. Showed a debit balance of Rs. 40,000 on 1.4.02. On 31.3.03, the balance sheet of Q Ltd. Showed P & L A/c balance of Rs. 1,20,000. Calculate capital profits and Revenue profits.

13. (a) What is statutory reserve? How is it created?

Or

(b) On March 2008, Bharat Commercial Bank Ltd finds its advances classified as follows :

	Rs.
Standard assets	14,91,300
Doubtful assets (secured)	
Doubtful for one year	25,660
Doubtful for one to 3 years	15,640
Doubtful – more than 3 years	6,580
Sub-standard assets	92,800
Loss assets	10,350

Calculate the amount of provision to be made by the bank against the above mentioned advances.

14. (a) From the following figures appearing in the books of Fire Insurance division of a General Insurance Company, show the amount of claim as it would appear in revenue account, by preparing schedule 2, claims incurred.

	Rupees in'000s	
	Direct business	Re-insurance
Claims paid during 2005-06	4,670	700
Claims payable 1.4.2005	763	80
31.3.2006	812	53
Claims received		250
Claims receivable 1.4.2005		65
31.3.2006		113
Expenses of management (includes Rs. 35 thousand Surveyor's fees and Rs. 45 Thousand legal expenses For settlement of claims)	230	

Or

(b) The life fund of a life insurance company on 31.3.2006 showed a balance of Rs. 54,00,000. However, the following items were not taken into account while preparing the Revenue a/c for 2005-06. Ascertain the correct life fund balance.

(i) Interest and dividends accrued on investments Rs. 20,000

(ii) Income tax deducted at source on the above Rs. 6,000

(iii) Reinsurance claims recoverable Rs. 7,000

(iv) Commission due on reinsurance premium paid Rs. 10,000

(v) Bonus in reduction of premiums Rs. 3,000.

15. (a) The XYZ Electricity Company decided to replace some parts of its plant by an improved plant. The plant to be replaced was built in 2003 for Rs. 54,00,000. It is estimated that it would now cost Rs. 80,00,000 to build a new plant of the same size and capacity. The cost of the new plant as per the improved design was Rs. 1,70,00,000 and in addition, material belonging to the old plant valued at Rs. 5,50,000 was used in the construction of the new plant. The balance of the old plant was sold for Rs. 3,00,000. Compute the amount to be capitalised.

Or

(b) Calculate the amount to be charged to Revenue account in the following cases :

	Case-1	Case-2
Present cost of replacing the old works	1,80,000	20,00,000
Amount realized on sale of old materials	10,000	–
Original cost of works	–	15,00,000
Value of old materials used to reconstruction	250	–
Amount spent on replacement	–	21,50,000

SECTION C — (5 × 8 = 40 marks)

Answer ALL the questions, choosing either (a) or (b), each answer should not exceed 600 words.

16. (a) What are the factors affecting valuation of goodwill?

Or

(b) Distinguish between Intrinsic and Market value of share.

17. (a) Write short note on :

(i) Capital dividend and

(ii) Cash in transit.

Or

(b) The balance sheets of C Ltd. and D Ltd. as on 31 March 2006 are as follows :

Liabilities	C Ltd. Rs	D Ltd. Rs.	Assets	C Ltd. Rs	D Ltd. Rs.
Share capital (Rs. 10 each)	2,00,000	1,00,000	Sundry Assets	1,32,500	1,38,200
General Reserve	18,000	20,000	Goodwill		20,000
Profit and Loss a/c	24,500	23,000	Shares in D Ltd at Cost	1,40,000	
Creditors	30,000	15,200			
	2,72,500	1,58,200		2,72,500	1,58,200

In the case of D Ltd. profit for the year ended 31st March 2006 is Rs. 12,000 and transfer to the reserve is Rs. 5,000. Find the Hold of C Ltd. in D Ltd.

18. (a) Write short note on :

(i) NPA and

(ii) Standard Asset.

Or

(b) From the following information prepare the profit and loss account of ABC Bank Ltd for the year ended on 31st March 2012 in prescribe form.

	Rs.
Interest on loan	2,59,000
Interest on fixed deposits	2,75,000
Rebate on bills discounted required	49,000
Commission	8,200
Establishment	54,000
Discount on bills discounted	1,95,000
Interest on cash credit	2,23,000
Interest on current account	42,000
Rent and Taxes	18,000
Interest on overdraft	1,54,000
Director's fees	3,000
Auditor's fees	1,200
Interest on savings bank deposits	68,000

	Rs.
Postage and telegrams	1,400
Printing and stationery	2,900
Sundry charges	1,700

Bad debts to be written off amounted to Rs. 40,000. Provision for taxation may be made @ 55%. Balance of profit from last year was Rs. 1,20,000. The directors have recommended a dividend of Rs. 20,000 for the shareholders.

19. (a) From the following particulars relating to Z insurance Co. Ltd prepare Fire Revenue A/c for the year ending 31.3.2010.

	Rs. '000s
Claim paid	4,80,000
Claims outstanding 1.4.2009	40,000
Claims intimated but not accepted and paid on 31.3.2010	10,000

	Rs. '000s
Commission on reinsurance accepted	5,000
Expense of management	3,05,000
Bonus in reduction of premium	12,000
Premium received	12,00,000
Reinsurance premium paid	1,20,000
Commission on reinsurance ceded	10,000
Provision for un expired risk 1.4.09	4,00,000
Additional provision for unexpired risk on 1.4.2009	20,000

You are required to provide for addition reserve for unexpired risk at 1% of the net premium in addition to the opening balance.

Or

(b) From following prepare Life Insurance Revenue A/c for year ended 31.3.2006 :

	(Rs. '000s)
Claims by death	16,800
Agents salaries and allowances	6,420
Surrender values paid	2,810
Actuarial expense	1,520

	(Rs. '000s)
Premiums	94,836
Commission to agents	8,900
Salaries	13,500
Medical fees	1,200
Travelling expenses	1,800
Director's fees	900
General charges	1,860
Advertisement	726
Considerations for annuities granted	12,853
Claim expenses	1,432
Premium outstanding (1.4.2005)	2,134
Premium outstanding (31.3.2006)	3,143
Outstanding interest on Advance (31.3.2006)	1,944
Bonus paid with claims	2,700
Endowment assurance matured	24,415

	(Rs. '000s)
Annuities paid	1,350
Interest revenue	19,060
Rent, Rates and Taxes	5,475
Fees received	172
Claims o/s (1.4.05)	2,376
Claims o/s (31.3.06)	3,735

20. (a) The Mettur Electricity Company Ltd. decides to replace one of its old plants with a modern one with a larger capacity. The plant when installed in 1950 cost the company Rs. 48,00,000, the components of materials, labour and overhead being in the ratio of 5 : 3 : 2.

It is ascertained that the cost of materials and labour have gone up by 40% and 80% respectively. The portion of overheads to total costs is expected to remain the same as before.

The cost of the new plant as per improved design is Rs. 1,20,00,000 and in addition, materials recovered from the old plant of a value of Rs. 4,80,000 have been used in the construction of the new plant. The old plant was scrapped and sold for Rs. 15,00,000.

The accounts of the company are maintained under the double accounts system. Indicate how much would be capitalised and the amount that would be charged to revenue. Show necessary journal entries.

Or

(b) Global Electricity Co earned a profit of Rs. 33,97,000 after paying Rs. 1,20,000 @ 6% on debenture interest for the year ended 31.3.2013. The following information are supplied

	Rs.
Loan from Electricity Board	1,60,00,000
Reserve fund investments at par (4%)	40,00,000
Depreciation written of	2,00,00,000
Contingency Res. Invest. At par (4%)	30,00,000